GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2635
ANSWERED ON:16.03.2007
CASH RESERVE RATIO OK RBI
Kaushal Shri Raghuvir Singh;Meghwal Shri Kailash;Vallabbhaneni Shri Balashowry

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has taken a decision to increase Cash Reserve Ratio (C.R.R.) in order to check inflation;

(b) if so. the details thereof;

(c) whether this measure is likely to check inflation;

(d) if so, the manner in which it is likely to check inflation; and

(e) whether there is any divergence between the policies of RBI and the Government of India on controlling inflation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d) : To contain inflationary expectations and in the light of current liquidity conditions,Reserve Bank of India (RBI) decided to increase the Cash Reserve Ratio (CRR) of Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), scheduled co operative banks and scheduled primary (urban) co-operative banks by 0.50% of their net demand and time liabilities (NDTL) in two stages, effective from the fortnights beginning 17th February, 2007 and 3rd March, 2007 from 5.50% to 5.75% and 6.00% respectively. As a result of the above increases in CRR, an amount of around Rs. 14.000 crore of resources of banks was expected to be absorbed. This measure is likely to contain the inflationary pressure to the extent that it is attributable to monetary conditions.

(e): No, Sir.